



Salmat Full Year Results to 30 June 2014

Tuesday 26 August 2014

Business Overview & Update

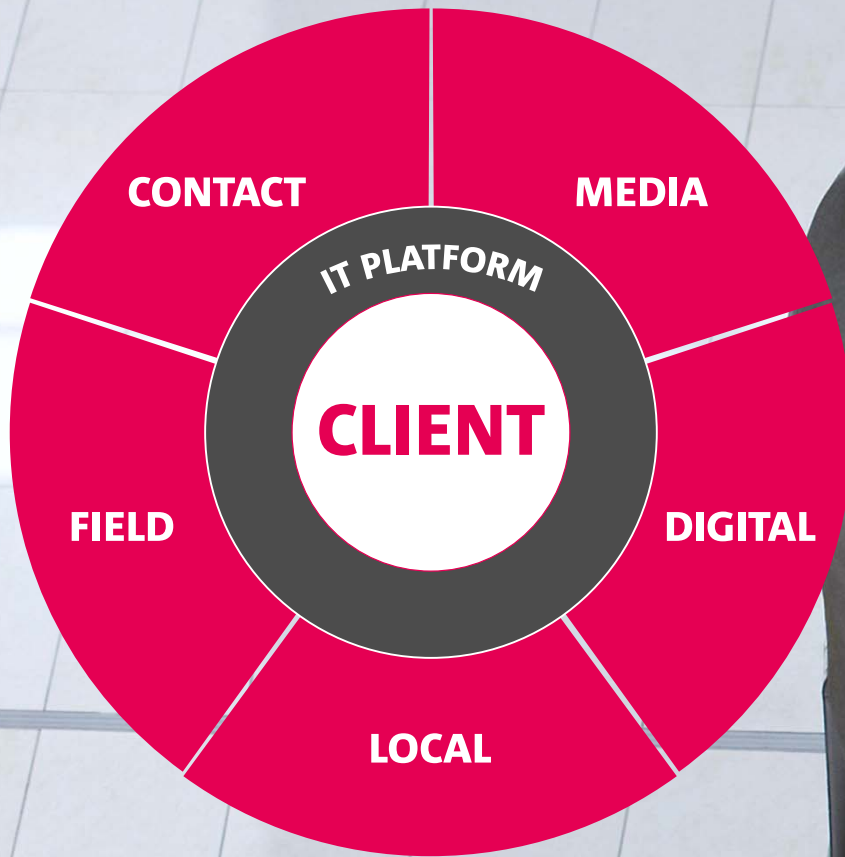
Craig Dower
- CEO



Highlights for FY14

- Key milestones achieved at midpoint of growth strategy.
- Strong net cash position of \$50 million (including acquisitions) at 30 June.
- Revenue within 5% of pcp during busy and challenging year.
- Final dividend of 7.5cps fully franked.
- New management team confirmed.
- Sales pipeline and sales conversion rates continue to grow.





We get you
closer to your
customers



Financial Summary

\$ million	2014	2013	% change (pcp)
Revenue	452.8	467.6	-3.2%
Underlying EBITA*	8.6	25.8	-66.7%
Underlying NPAT*	6.7	16.7	-59.9%
Statutory NPAT	0.8	40.1	-98.0%
Statutory earnings per share (cents)	0.2	25.4	-99.2%
Full-year dividend (cents per share)	15.0	11.5	+30.4%
Special dividend (cents per share)	-	21.0	NMF

Final dividend of 7.5cps fully franked payable 18 September 2014.

* Adjusted for significant items

A hand holding a tablet displaying financial charts. The tablet screen shows a bar chart with a red line graph overlaid, and a pie chart below it. The bar chart has values 440 and 620. The pie chart is labeled 'Product payment in different...'.

Group Financial Performance

Yvonne Barnikel
- Acting CFO

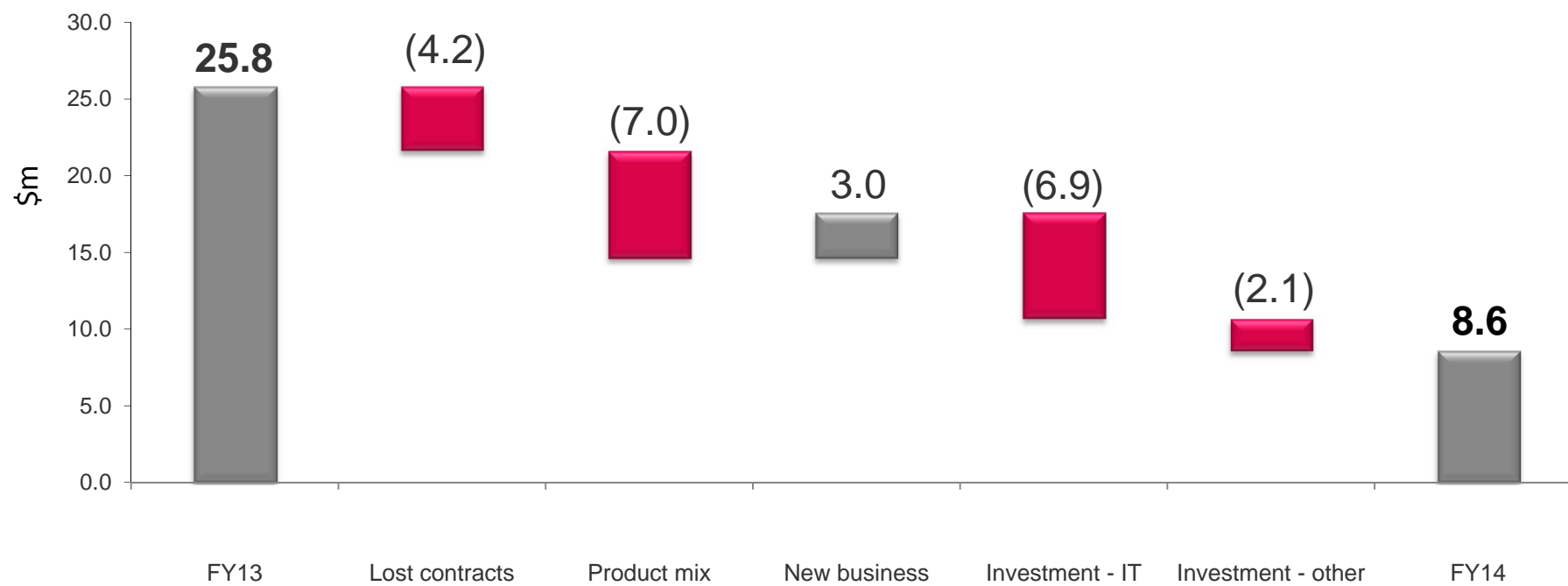
Financial Performance

* Adjusted for significant items

** Refer to appendix

\$ million	2014	2013	% change (pcp)
Reported revenue	452.8	467.6	-3.2%
Underlying EBITDA	18.2	36.3	-49.9%
Depreciation	-9.6	-10.5	-8.6%
Underlying EBITA*	8.6	25.8	-66.7%
Underlying EBITA margin	1.9%	5.6%	
Amortisation	-2.0	-2.1	-4.8%
Underlying EBIT	6.6	23.7	-72.2%
Net interest	0.3	-0.4	+175.0%
Tax expense	-0.2	-6.6	-97.0%
Underlying NPAT from continuing business *	6.7	16.7	-59.9%
Significant items **	-5.9	-10.9	-45.9%
NPAT from continuing operations	0.8	5.8	-86.2%
NPAT from discontinued operations (including significant items)	-	34.3	-100.0%
TOTAL STATUTORY NPAT	0.8	40.1	-98.0%

Underlying EBITA bridge



Strong Balance Sheet

- High quality balance sheet.
- Net cash of \$50m at 30 June 2014: reduction of \$40m. Major cash outflows included \$24m dividends, \$14m business acquisitions and further investment in IT platform.
- Debt facility of \$99m expiring in Dec 2014. Undrawn available funds of \$33m.
- Equity lower only due to dividend paid and new business combination reserve.

\$ million	2014	2013	Change A\$m	Change %
Cash and cash equivalents	116.9	189.1	-72.2	-38.2%
Receivables	59.7	56.7	3.0	+5.3%
Fixed assets	21.9	14.0	7.9	+56.4%
Goodwill and intangibles	189.4	156.3	33.1	+21.2%
Other	25.1	21.3	3.8	+17.8%
TOTAL ASSETS	413.0	437.4	-24.4	-5.6%
Current borrowings	66.9	0.1	66.8	NMF
Other current liabilities	81.8	74.3	7.5	+10.1%
Non-current borrowings	-	99.0	-99.0	NMF
Other non-current liabilities	47.4	6.7	40.7	NMF
TOTAL LIABILITIES	196.1	180.2	15.9	+8.8%
EQUITY	216.9	257.3	-40.4	+15.7%

Operating Cash Flow

- Continued strong EBITDA conversion to cash flow at 144%.
- Net interest gain as interest rate hedge contracts all finalised in December.
- Tax refund due to prior year R&D return.
- Strong cash position enabled full year dividend payment of 14cps and execution of three business acquisitions.
- Repayment of \$33m senior debt as part of facility costs minimisation.

\$ million	2014	2013	Change A\$m
Underlying EBITDA	18.2	36.3	-18.1
Operating cash flow	26.2	42.8	-16.6
Underlying EBITDA conversion to cash flow	144%	118%	+26.0%
Tax	1.6	-7.4	+9.0
Significant item cash payments	-14.8	-3.7	-11.1
Net operating cash flow from continuing operations	13.0	31.7	-18.7
Cash outflow from discontinued operations	-	-9.4	+9.4
Total net operating cash flow	13.0	22.3	-9.3
<i>Financing & investing activities</i>			
Cash capital expenditure	-11.7	-7.9	-3.8
Intangible assets	-4.6	-5.0	+0.4
Payments for purchase of controlled entities	-13.9	-	-13.9
Dividends paid	-24.0	-56.7	+32.7
Proceeds from disposals	-	363.8	-363.8
Net borrowings repayment	-33.3	-161.0	+127.7
Interest	0.6	-1.4	+2.0
Other	1.7	-2.4	+4.1
Net financing & investing cash flow	-85.2	129.4	-214.6
Net cash movement	-72.2	151.7	-223.9

Business Units & Outlook

Craig Dower
- CEO



Consumer Marketing Solutions

- Resilience in catalogues: top tier and SME. Universal Catalogue strategy gaining ground.
- Underlying catalogue volumes (excluding lost contracts) up >5%.
- New ecommerce capabilities (Netstarter) boosting Digital performance.
- Underlying EBITA impacted by product mix and investment costs.

\$ million	2014	2013	% change (pcp)
Sales revenue (\$)	259.2	260.8	-0.6%
Underlying EBITA (\$)	23.8	30.1	-20.9%
Margin	9.2%	11.5%	
Catalogue volumes	4.8bn	5.0bn	-4.0%
Email and SMS	746m	845m	-11.7%

Consumer Marketing Solutions

- Mid-tier clients present key opportunity for growth.
- SME segment also continues strong growth.
- Targeting larger share of the media pie via agencies.
- New job management system driving margin improvement.
- Initiatives established in FY14: momentum in FY15.

Customer Engagement Solutions

- Started FY14 with \$22m Direct Sales gap and centres shifting offshore.
- Largely filled revenue gap, though impacted by new business delays.
- Earnings impacted by investment costs, Reach migration delays.
- Reach & MicroSourcing transformed our capabilities. Growing pipeline validating this strategy.

\$ million	2014	2013	% change (pcp)
Sales revenue	187.9	201.0	-6.5%
Underlying EBITA	3.0	11.2	-73.2%
Margin	1.6%	5.6%	
Contact centre seat utilisation (average)	57%	62%	

Customer Engagement Solutions

- Reach implementation: migration by end of March 2015.
- New ability to target in-house, rapid response, offshore.
- Gross margin improvement program underway.
- Encouraging pipeline and sales conversion pointing to revenue growth in FY15. Costs will reduce in 2H15.

Summary and Outlook

- Focus on execution of growth strategy.
- FY15 priorities:
 - Platform industrialisation.
 - Profitable revenue growth.
 - Invest in Salmat's people.
 - Client offering.
 - Operational excellence.
- Will provide trading update at AGM in November.





Questions



Appendix

Significant Items – Continuing Operations

Significant Items	2014 \$M		2013 \$M	
	Pre Tax	Post Tax	Pre Tax	Post Tax
Continuing operations				
Restructuring costs	2.6	1.8	2.4	1.6
Acquisition costs	1.4	1.0	-	-
Separation costs	7.8	5.5	1.3	1.0
Acquisition fair value adjustment	-2.4	-2.4	-	-
Impairment charge	-	-	8.8	8.3
Significant items from continuing operations	9.4	5.9	12.5	10.9

	2014 \$M	2013 \$M
Net profit after tax (NPAT)	0.8	5.8
Significant items	5.9	10.9
Underlying net profit after tax	6.7	16.7

Divisional Summary

\$ million	2014	2013	% Change (pcp)
Reported sales revenue:			
Consumer Marketing Solutions	259.2	260.8	-0.6%
Customer Engagement Solutions	187.9	201.0	-6.5%
Group reported sales revenue	447.1	461.8	-3.2%
Underlying EBITA:			
Consumer Marketing Solutions	23.8	30.1	-20.9%
Customer Engagement Solutions	3.0	11.2	-73.2%
Corporate	-18.1	-15.5	+16.8%
Underlying EBITA	8.6	25.8	-66.7%
Significant items	-9.4	-12.5	-24.8%
EBITA from continuing operations	-0.8	13.3	-106.0%

Platform Industrialisation

Build world-class differentiated technology platforms that allow us to deliver unique value to our customers

- Complete first phase of IT transformation (Reach and Reboot projects)
- Align all IT resources around service management and delivery
- Define further core IT refresh projects and platform developments

Profitable Revenue Growth

Grow profitably through focused management of our chosen market segments, services and resources

- Implement Customer Centricity operating
- Measure and manage client and job profitability
- Drive integrated view of customer and sales reporting (through Salesforce and TAS)

Invest In Our People

Develop our people so that they are able to grow, lead and succeed within an innovative, values-based work environment

- Define and embed Salmat culture, values and behaviours
- Upgrade learning and development framework, refresh content, build roadmap
- Extend Diversity and Inclusion program

Customer Offering

Be clear and specific in what we sell, and build a product life-cycle roadmap across all of our products and services

- Build product and service catalog
- Complete brand refresh
- Build targeted marketing capabilities

Operational Excellence

Drive continual improvement into everything that we do

- Drive excellence in all aspects of our customer experience
- Accelerate our multi-shoring capability
- Standardise delivery tools, methods and processes

FY15 Company Priorities

Disclaimer

Company announcements and presentations can contain forward-looking statements. Words such as “believe”, “anticipate”, “plan”, “expect”, “intend”, “target”, “estimate”, “project”, “predict”, “forecast”, “guideline”, “should”, “aim” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve inherent risks and uncertainties. We caution you that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include but are not limited to: competition and product pricing in the markets in which we operate; general economic and market conditions; compliance with, and possible changes in, environmental and health and safety laws; dependence on cyclical markets; the supply and cost of materials; exposure to environmental or other legal proceedings; and risks of conducting business internationally. We caution you that the foregoing list of factors is not exclusive and that other risks and uncertainties may cause actual results to differ materially from those contained in forward-looking statements. Forward-looking statements speak only as of the date they are made.